

STATEMENT OF JIM J. MARQUEZ, GENERAL COUNSEL, DEPARTMENT OF  
TRANSPORTATION, AT THE HEARING OF THE SUBCOMMITTEE ON MERCHANT  
MARINE, SENATE COMMITTEE ON COMMERCE, SCIENCE, AND  
TRANSPORTATION, ON S. 1832 AND S. 1833, BILLS "TO AUTHORIZE THE  
ESTABLISHMENT OF A MERCHANT SHIP REVOLVING FUND, AND FOR OTHER  
PURPOSES."

NOVEMBER 15, 1985

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON MERCHANT MARINE. MY NAME IS JIM J. MARQUEZ, AND I AM THE GENERAL COUNSEL OF THE DEPARTMENT OF TRANSPORTATION. I AM ACCOMPANIED THIS MORNING BY RICHARD E. BOWMAN, ASSOCIATE ADMINISTRATOR FOR MARITIME AIDS OF THE MARITIME ADMINISTRATION.

I AM PLEASED TO APPEAR THIS MORNING TO PRESENT THE VIEWS OF THE DEPARTMENT WITH RESPECT TO S. 1832 AND S. 1833, BILLS "TO AUTHORIZE THE ESTABLISHMENT OF A MERCHANT SHIP REVOLVING FUND, AND FOR OTHER PURPOSES."

BOTH BILLS WOULD AMEND THE MERCHANT MARINE ACT, 1936, BY THE ADDITION OF A TITLE XIV PROVIDING FOR A NEW BUILD AND CHARTER OR SALE PROGRAM. PURSUANT TO THIS PROGRAM, THE SECRETARY OF THE NAVY WOULD GENERALLY BE AUTHORIZED TO CONSTRUCT IN PRIVATELY OWNED U.S. SHIPYARDS MILITARILY USEFUL MERCHANT VESSELS, AND SELL OR CHARTER SUCH VESSELS FOR OPERATION UNDER THE U.S.-FLAG IN THE FOREIGN COMMERCE OF THE UNITED STATES. THE SALE PRICE WOULD BE CALCULATED AS IF THESE VESSELS WERE CONSTRUCTED IN A LOWER COST FOREIGN SHIPYARD. S. 1832 WOULD APPARENTLY SET THE CHARTER HIRE RATE BASED ON FOREIGN CONSTRUCTION COST. S. 1833 IS SILENT ON THE CHARTER HIRE RATE.

FUNDS FOR THE BUILD AND CHARTER PROGRAM WOULD BE PROVIDED BY A MERCHANT SHIP REVOLVING FUND (FUND) ESTABLISHED IN THE U.S. TREASURY, AND ADMINISTERED BY THE SECRETARY OF THE NAVY. BOTH BILLS WOULD AUTHORIZE APPROPRIATIONS TO CAPITALIZE THE FUND.

THE FUND WOULD CONSIST OF:

- APPROPRIATED MONIES. INITIALLY, WE UNDERSTAND \$852.3 MILLION FROM UNOBLIGATED PRIOR YEAR DEFENSE SHIP-BUILDING APPROPRIATIONS WOULD BE USED FOR THIS PURPOSE;
- MONIES RECEIVED FROM THE SALE OR CHARTER OF MERCHANT VESSELS CONSTRUCTED UNDER THE PROGRAM; AND
- ANY OTHER MONIES AS MAY BE MADE AVAILABLE FOR THE PURPOSES OF THE FUND.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. THE DEPARTMENT OF TRANSPORTATION DEEPLY APPRECIATES YOUR CONTINUED EFFORTS TO SUPPORT THE U.S.-FLAG MERCHANT MARINE. HOWEVER, WE DO NOT AGREE THAT BUILD AND CHARTER IS THE CORRECT APPROACH, AND WE THEREFORE OPPOSE S. 1832 AND S. 1833. INSTEAD, WE VIEW LEGISLATIVE PROPOSALS SUBMITTED BY THE ADMINISTRATION AND INTRODUCED BY THE CHAIRMAN AS S. 1481 AND S. 1482 AS THE APPROPRIATE APPROACH. AS YOU KNOW, PURSUANT TO THOSE BILLS, THE SECRETARY OF TRANSPORTATION WOULD AUTHORIZE SUBSIDIZED U.S.-FLAG OPERATORS TO CONSTRUCT, RECONSTRUCT, OR ACQUIRE VESSELS OUTSIDE THE UNITED STATES WITH ELIGIBILITY TO PARTICIPATE IN CERTAIN PROMOTIONAL PROGRAMS.

OF THE TWO LEGISLATIVE APPROACHES, THE DEPARTMENT OF TRANSPORTATION SUPPORTS THE APPROACH TAKEN BY S. 1481 AND S. 1482 BECAUSE IT IS CONSISTENT WITH ADMINISTRATION POLICY THAT THE EXPENSE OF A MODERN COMMERCIAL FLEET SHOULD BE BORNE BY THE PRIVATE SECTOR AND NOT THE TAXPAYER. IN CONTRAST, WE BELIEVE THAT UNDER THE BUILD AND CHARTER OR SALE PROGRAM PROVIDED BY S. 1832 AND S. 1833, THE PURCHASE PRICE OR CHARTER HIRE WOULD HAVE TO BE SO LOW, IN ORDER TO BE COMMERCIALY VIABLE, THAT IT WOULD REQUIRE ANNUAL APPROPRIATIONS, IN ADDITION TO THE \$850 MILLION PROPOSED IN 1986, IN ORDER TO CONTINUE THE PROGRAM.

WE ARE ALSO IN ACCORD WITH THE GOALS OF A STRONG, HEALTHY U.S. MERCHANT MARINE AND SHIPBUILDING INDUSTRY, BUT FOR THE REASONS ANTICULATED BY THE NAVY, WE CONCUR IN THEIR POSITION ON 1832 AND 1833.

MR. CHAIRMAN. THAT CONCLUDES MY PREPARED STATEMENT. I WILL BE PLEASED TO ANSWER ANY QUESTIONS THAT YOU OR THE MEMBERS OF THE SUBCOMMITTEE MAY HAVE. THANK YOU.